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CONGRESSIONAL TESTIMONY

Amnesty and Continued Low Skill Immigration Will Substantially Raise Welfare Costs and Poverty

**Testimony before
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Introduction

My name is Robert Rector. I am Senior Research Fellow in Welfare and Family Issues at The Heritage Foundation. The views I express in this testimony are my own, and should not be construed as representing any official position of The Heritage Foundation.

This paper focuses on the net fiscal effects of immigration with particular emphasis on the fiscal effects of low skill immigration. The fiscal impact of immigrants varies strongly according to the immigrants' education level. College-educated immigrants are likely to be strong fiscal contributors with taxes exceeding government costs. By contrast, immigrants with low education levels, in most cases, will act as a fiscal drain on other taxpayers. The National Academy of Sciences has estimated that each immigrant who has not completed high school will impose a net cost on the U.S. taxpayers nearly \$100,000 over his lifetime. This is important because half of adult illegal immigrants in the U.S., and a quarter of legal immigrants, have less than a high school education. In addition, recent immigrant groups have high levels of out-of-wedlock childbearing which increase welfare costs and poverty.

Recently the Senate passed The Comprehensive Immigration Reform Act (CIRA) (S.2611). This bill will provide amnesty, and put 9 to 10 million illegal immigrants on a path to citizenship. Once these individuals become citizens, the net cost to the federal government through added benefits will be around \$16 billion per year. Further, once an illegal immigrant is granted amnesty, he is given the right to bring his spouse and children into the U.S.; these, in turn, would be given the right to become U.S. citizens. These individuals would increase governmental costs even further.

Finally, once an illegal immigrant becomes a citizen, he has the automatic right to bring his parents to live in the U.S. The parents, in turn, may become citizens. After five years in the country most of the parents will be eligible for Medicaid. Medicaid payments for the elderly cost around \$11,000 per person per year. The long-term cost of government benefits to the parents of 10 million recipients of amnesty could be \$30 billion per year or higher.

In the long run, the Comprehensive Immigration Reform Act (CIRA) (S.2611), if enacted, would prove the largest expansion of government welfare in 35 years. The overall governmental costs of the amnesty provisions alone of CIRA are likely to reach \$50 billion per year.

In addition to providing amnesty to 10 million individuals, the Comprehensive Immigration Reform Act (CIRA) would more than double the future rate of legal immigration. Under the act, over 60 million immigrants would enter the country legally or be granted legal status over the next twenty years. All of these new entrants would be eligible to become permanent residents and would have the right to become citizens. Much of this massive flow of new immigrants would be low-skilled, imposing large net costs on U.S. taxpayers.

Current Trends in Immigration

In the last forty years, immigration in the United States has surged. Our nation is now experiencing a second “great migration” similar to the great waves of immigrants which transformed America in the late 19th and early 20th centuries. In 2004, an estimated 35.7 million foreign born persons lived in the U.S. While in 1970 one person in twenty was foreign born, by 2004 the number had risen to one in eight.

About one third of all foreign born persons in the U.S. are illegal aliens. There are between 10 and 12 million illegal immigrants currently living in the U.S. Illegal aliens now comprise 3 to 4 percent of the total U.S. population. Each year approximately 1.3 million new immigrants enter the U.S. Some 700,000 of these entrants are illegal immigrants.¹

One third of all foreign born persons in the U.S. are Mexican. Overall the number of Mexicans in the U.S. has increased from 760,000 in 1970 to 10.6 million in 2004. Nine percent of all Mexicans now reside in the U.S. Over half of all Mexicans in the U.S. are illegal,² and in the last decade 80 to 85 percent of the inflow of Mexicans into the U.S. has been illegal.³ Mexican women emigrating to the U.S. have a considerably higher fertility rate than women remaining in Mexico.⁴

The public generally perceives illegal immigrants to be unattached single men. This is, in fact, not the case. Some 44 percent of adult illegals are women. While illegal men work slightly more than native born men; illegal women work less. Among female illegal immigrants some 56 percent work compared to 73 percent among native-born women of a comparable age.⁵

Immigrants & Education: A Profile

On average, immigrants have low education levels relative to native born U.S. citizens. One quarter of legal adult immigrants lack a high school degree compared to 9 percent among the native born; however, there is a well educated sub-group within the legal immigrant population as well. Some 32 percent of legal immigrant adults have a college degree, compared to 30 percent of native born adults.⁶

¹ Jeffrey Passel *Unauthorized Migrants: Numbers and Characteristics*, Pew Hispanic Center, Washington, D.C, June 14, 2005, p.6.

² All figures are from Passel, *op. cit.*

³ Passel, *op. cit.* p. 16.

⁴ *Ibid.*, p. 38. Passel asserts this is due to the socio-economic characteristics and region of origin of the emigrant women.

⁵ *Ibid.*, pp. 18 and 25.

⁶ *Ibid.*

The education levels of illegal aliens are lower than those of legal immigrants. Half of all illegal immigrant adults lack a high school degree.⁷ Among Latin American and Mexican immigrants, 60 percent lack a high school degree and only 7 percent had a college diploma. By contrast, among native-born workers in the U.S., only 6 percent have failed to complete high school and nearly a third have a college degree.⁸

Decline in Immigrant Wages

Over the last 40 years the education level of new immigrants has fallen relative to the native population. As the relative education levels of immigrants have declined, so has their earning capacity compared to the general U.S. population. Immigrants arriving in the U.S. around 1960 had wages, at the time of entry, that were just 13 percent less than natives. In 1965, the nation's immigration law was dramatically changed, and from 1990 on illegal immigration surged; the overall result was a decline in the relative skill levels of new immigrants. By 1998, new immigrants had an average entry wage that was 34 percent less than natives.⁹ Because of their lower education levels, the relative wages for illegals would have been even lower.

The low wage status of recent illegal immigrants can be illustrated by the wages of recent immigrants from Mexico, a majority of whom are illegal. In 2000, the median weekly wage of a first generation Mexican immigrant was \$323. This was 54 percent of the corresponding wage for non-Hispanic whites in the general population.¹⁰

Historically, the relative wages of recent immigrants have risen after entry as the immigrant gained experience in the labor market. For example, immigrants who arrived in the U.S. in the 1960s and 1970s saw their relative wages rise by 10 percentage points compared to native wages during their first 20 years in the country. But, in recent years this modest catch up effect has diminished. Immigrants who arrived in the late 1980s actually saw their relative wages shrink in the 1990s.¹¹

Immigration and Welfare Dependence

Welfare may be defined as means-tested aid programs: these programs provide cash, non-cash and social service assistance that is limited to low income households. Examples of major means-tested programs are: Food Stamps, Temporary Assistance to Needy Families, public housing, the earned income credit, and Medicaid. Historically, recent immigrants were less likely to receive welfare than were native born Americans;

⁷ Ibid., p. 23. By contrast, the Center for Immigration Studies estimates that two thirds of illegal immigrants lack a high school degree. Steven A. Camarota, *The High Cost of Cheap Labor: Illegal Immigration and the Federal Budget*, Center for Immigration Studies, Washington D.C., August 2004, p.5.

⁸ Robert J. Samuelson "We Don't Need 'Guest Workers'", *Washington Post*, march 22, 2006, p. A21.

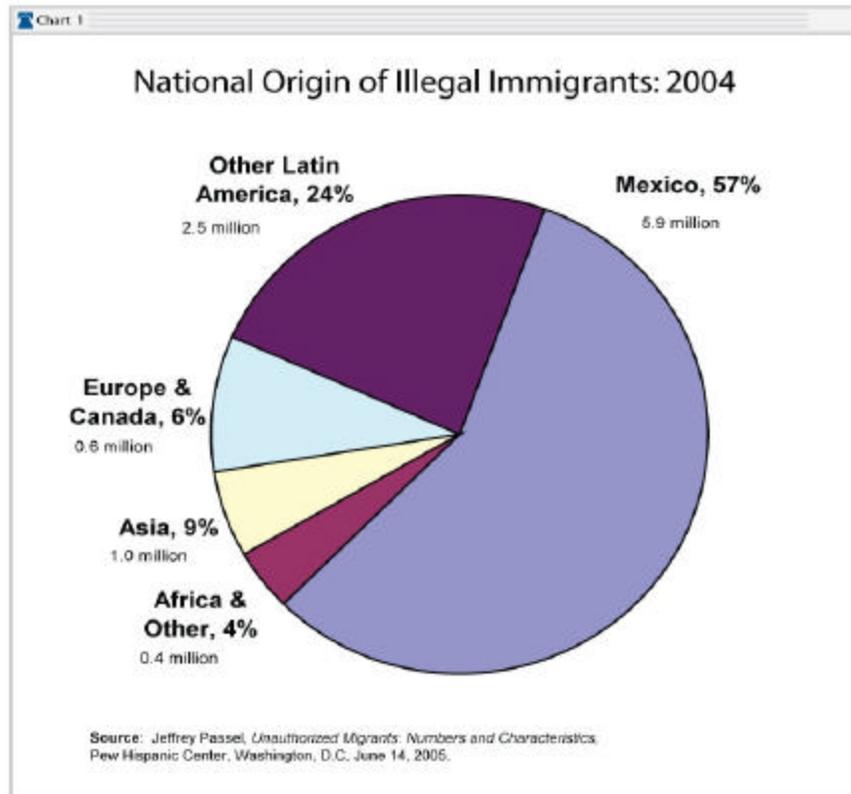
⁹ George J. Borjas, *Heavens Door: Immigration Policy and the American Economy*, Princeton University Press, United States, 1999, p.28.

¹⁰ Richard Fry and B. Lindsay Lowell, *Work or Study: Different Fortunes of U.S. Latino Generations*, Pew Hispanic Center, Washington, D.C., May 28, 2002, tables B1 and B2. The figures in the text refer to individuals aged 25 to 44.

¹¹ Borjas, *op.cit.*, p. 30.

however, over the last thirty years this historic pattern has been reversed. As the relative education level of immigrants fell, their tendency to receive welfare benefits increased. By the late 1990s immigrant households were fifty percent more likely to receive means-tested aid than were native born households.¹² Moreover, immigrants appear to assimilate into welfare use. The longer immigrants live in the U.S. the more likely they are to use welfare.¹³

A large part, but not all, of the higher welfare use of immigrants is explained by their low education levels. Welfare use also varies depending on the national origin of the immigrant. For example, in the late 1990s, 5.6 percent of immigrants from India received means-tested benefits; among Mexican immigrants the figure was 34.1 percent, and for immigrants from the Dominican Republic the figure was 54.9 percent.¹⁴ Ethnic differences in the propensity to receive welfare that appear among first generation immigrants persist strongly in the second generation.¹⁵ The relatively high use of welfare among Mexicans has significant implications for current proposals to grant amnesty to illegal immigrants.



¹² Ibid., p. 109.

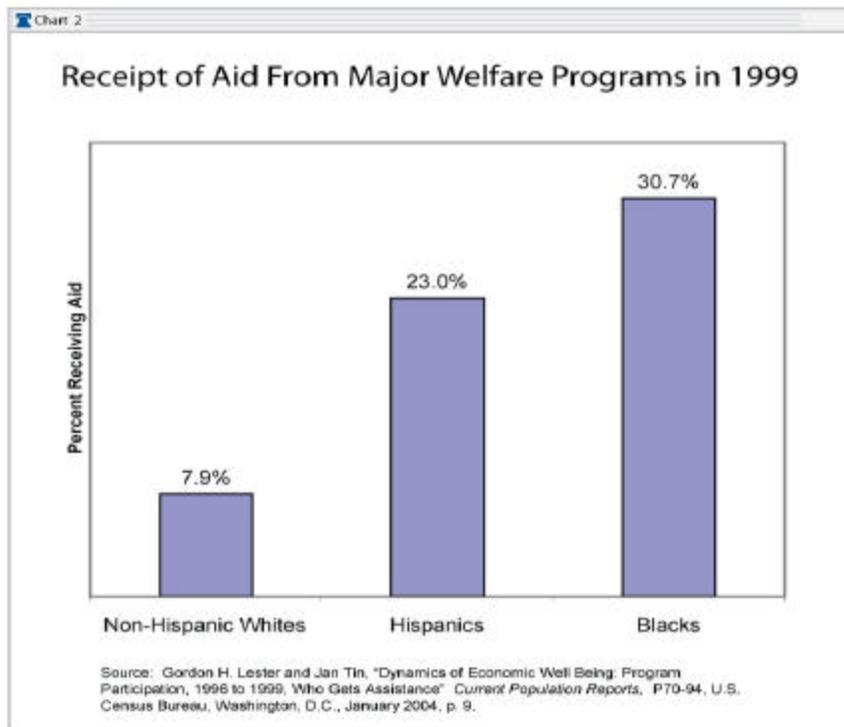
¹³ Ibid., pp. 105, 106. Borjas examined a cohort of immigrants aged 18 to 34 who arrived in the U.S. in 1965 to 1969; over the next three decades, cash welfare use for this cohort of immigrants rose sharply; welfare use among a similar native cohort rose as well but not as steeply.

¹⁴ Ibid., p. 110.

¹⁵ A 10 percentage point difference in receipt of welfare in the first generation leads to an 8.2 percentage point difference between groups in the second generation. Borjas, *op. cit.* 143

Some 80 percent of illegal immigrants come from Mexico and Latin America.¹⁶ (See Chart 1.) Historically, Hispanics in America have very high levels of welfare use. Chart 2 shows receipt of aid from major welfare programs by different ethnic groups in 1999; the programs covered included Medicaid, Food Stamps, public housing, Temporary Assistance to Needy Families, General Assistance and Supplemental Security Income.¹⁷ As the table shows, Hispanics in the U.S. were almost three times more likely to receive welfare than are non-Hispanic whites. In addition, among families that received aid, the cost of the aid received was 40 percent higher for Hispanics than for non-Hispanic whites.¹⁸ Putting together the greater probability of receiving welfare with the greater cost of welfare per family meant that, on average, Hispanic families received four times more welfare per family than did white non-Hispanics.

Part, but not all, of this high level of welfare use of Hispanics can be explained by background factors such as family structure.¹⁹ It seems likely that, if Hispanic illegals are given permanent residence and citizenship, they and their children will assimilate into the culture of high welfare use that characterizes Hispanics in the U.S. This would impose significant costs on the taxpayer and society as a whole.



¹⁶ Passel, *op. cit.* p. 4.

¹⁷ Gordon H. Lester and Jan Tin, "Dynamics of Economic Well Being: Program Participation, 1996 to 1999, Who Gets Assistance" *Current Population Reports*, P70-94, U.S. Census Bureau, Washington, D.C., January 2004, p.9.

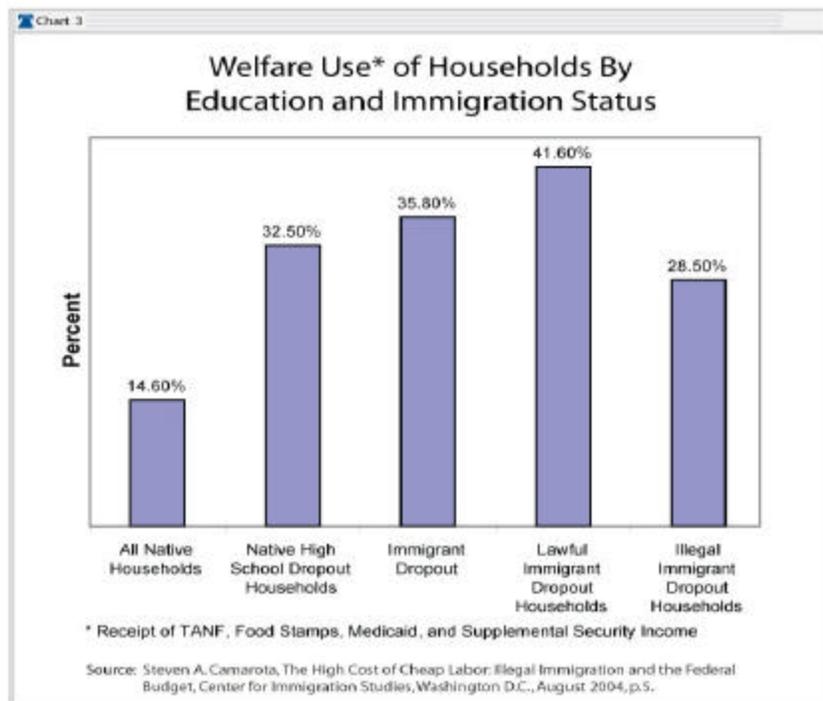
¹⁸ *Ibid.*, p. 27.

¹⁹ Robert A. Moffit and Peter T. Gottschalk, "Ethnic and Racial Differences in Welfare Receipt in the United States," in Neil Smelser, William Julius Wilson and Faith Mitchell, eds., *America Becoming: Racial Trends and Their Consequences, Volume II*, National Academies Press, Washington, D.C. 2001, pp. 156-158.

Welfare use can also be measured by immigration status. In general immigrant households are about fifty percent more likely to use welfare than are native born households.²⁰ Immigrants with less education are obviously more likely to use welfare.

The potential welfare costs of low skill immigration and amnesty for current illegal immigrants can be assessed by looking at the welfare utilization rates for current immigrants with low education levels. As Chart 3 shows, immigrants without a high school degree (both lawful and unlawful) are two and a half times more likely to use welfare than is the general native born population.²¹ This underscores the high potential welfare costs that may be associated with proposed amnesties to illegal immigrants.

All categories of high school dropouts have a high utilization of welfare. Immigrants who have less than a high school degree are slightly more likely to use welfare than are native born dropouts. Lawful immigrants who are high school dropouts are slightly more likely to use welfare than are native born dropouts.²² Illegal immigrant dropouts are less likely to use welfare than native born dropouts, in part, because they are ineligible for most programs. However, if amnesty is granted to illegals, it seems reasonable to conclude that their welfare use will be similar to lawful immigrants with similar education.



²⁰ Steven A. Camarota, “Back Where We Started: An Examination of Trends in Immigrant Welfare Use Since Welfare Reform”, Center for Immigration Studies, March 2003. Welfare use in this study is defined as receipt of Temporary Assistance to Needy Families, Food Stamps, Supplemental Security Income or Medicaid.

²¹ Ibid.

²² Ibid.

Illegal Immigration and Poverty

According to the Pew Hispanic Center there are 4.7 million children with illegal immigrant parents currently living in the U.S.²³ Some 37 percent of these children are poor.²⁴ While children of illegal immigrant parents comprise around 6 percent of all children in the U.S., they are 11.8 percent of all poor children.

The high level of child poverty among illegals in the U.S. is, in part, due to low education levels and low wages. It is also linked to the decline in marriage among Hispanics in the U.S. As noted, some 80 percent of illegal aliens come from Mexico and Latin America.²⁵ Among Hispanics in the U.S., 45 percent of children are born out-of-wedlock.²⁶ (See Table 1.) Among foreign born Hispanics the rate is 42.3 percent.²⁷ By contrast, the out-of-wedlock birth rate among non-Hispanic whites is 23.4 percent.²⁸ The teen birth rate for Hispanics is higher than the rate for black teens.²⁹ While the out-of-wedlock birth rate for blacks has remained flat for the last decade, it has continued to rise steadily for Hispanics.³⁰

	Child Poverty Rate	Percent of Children Born
White Non-Hispanic	9.8%	23.4%
Asian	12.7%	15.0%
Black	34.1%	67.1%
Hispanic	29.7%	45.0%
Children of Illegal Immigrant Parents	37.0%	N/A
Children of Lawful Immigrant Parents	21.0%	N/A

²³ Passel, *op.cit.* p. 20.

²⁴ Interview with Jeff Passel

²⁵ Passel, *op. cit.* p. 4.

²⁶ Joyce A. Martin, *Births: Final Data for 2003*, *National Vital Statistics Reports*, Volume 54, Number 2, National Center for Health Statistics, U.S. Department of Health and Human Services, September 8, 2005, p. 49.

²⁷ *Ibid.*

²⁸ Martin, *op.cit.*, p. 49.

²⁹ *Ibid.*, p. 54, 55.

³⁰ Center for National Health Statistics, Department of Health and Human Services, *Vital Statistics of the United States, 2001, Volume One, Natality*, table 1-17.

<http://www.cdc.gov/nchs/dataawh/statab/unpubd/natality/natab99.htm> Among Hispanics 40.8 percent of births were out of wedlock in 1993 compared to 45 percent in 2003. Among blacks, 68.9 percent of births were out of wedlock in 1993 compared to 68.5 percent in 2003.

In general, children born and raised outside marriage are seven times more likely to live in poverty than are children born and raised by married couples. Children born out-of-wedlock are also more likely to be on welfare, to have lower educational achievement, to have emotional problems, to abuse drugs and alcohol and to become involved in crime.³¹

Poverty is also more common among adult illegal immigrants, who are twice as likely to be poor as are native adults. Some 27 percent of all illegal adults are poor, compared to a 13 percent poverty rate among native adults.³²

Economic and Social Assimilation of Illegal Immigrant Offspring

One important question is the future economic status of the children and grandchildren of current illegal immigrants, assuming those offspring remain in the U.S. While we obviously do not have data on future economic status, we may obtain a strong indication of future outcomes by examining the educational attainment of offspring of recent Mexican immigrants. Some 57 percent of current illegal immigrants come from Mexico, and about half of Mexicans currently in the U.S. are here illegally.³³

First generation Mexican immigrants are individuals born in Mexico who have entered the U.S. In the year 2000, some 70 percent of first generation Mexican immigrants (both legal and illegal) lacked a high school degree. Second generation Mexicans may be defined as individuals born in the U.S. who have at least one parent born in Mexico. Second generation Mexican immigrants have greatly improved educational outcomes but still fall well short of the general U.S. population. Some 25 percent of second generation Mexicans in the U.S. fail to complete high school. By contrast, the high school drop out rate among non-Hispanic whites in the general population is 8.6 percent, and among blacks is 17.2 percent. Critically, the educational attainment of third generation Mexicans (those of Mexican ancestry with both parents born in the U.S.) improves little relative to the second generation. Some 21 percent of third generation Mexicans are high school drop outs.³⁴ Similarly, the rate of college attendance of second generation Mexicans is lower than the rate for black Americans and about two thirds of the level for non-Hispanic whites; moreover, it and does not improve in the third generation.³⁵

These data indicate that, for several generations, the offspring of illegal Hispanic immigrants are likely to have lower rates of educational attainment and higher rates of school failure when compared to the general non-Hispanic U.S. population. High rates of

³¹ Patrick Fagan, Robert Rector, Kirk Johnson, America Peterson, *The Positive Effects of Marriage: A book of Charts*, The Heritage Foundation, Washington, DC, April 2002.

³² Passel, *op. cit.* p. 34.

³³ Passel, *op. cit.*, pp. 4 and 36.

³⁴ The category of third generation Mexicans includes all individuals of Mexican ancestry who have parents born in the U.S., thus this group would also include the fourth, fifth, and further generations.

³⁵ All figures are taken from Richard Fry and B. Lindsay Lowell, *op. cit.* All figures in the text refer to individuals aged 20 to 24. The inter-group differences for individuals aged 25 to 44 are very similar to those of individuals aged 20 to 44. The attainments for Mexicans in the U.S. are similar to those of Hispanics in the U.S. in general.

school failure coupled with high rates of out-of-wedlock child-bearing are strong predictors of disproportionate future levels of poverty and welfare dependence.

Immigration and Crime

Historically, immigrants have had lower crime rates than the native born. For example, in 1991, the overall crime and incarceration rate for non-citizens was slightly lower than for citizens. Strikingly, imprisonment for violent crime was half as likely for non-citizens as for citizens.³⁶

On the other hand, the crime rate for Hispanics in the U.S. population is high. The age specific incarceration rates in federal and state prisons (prisoners per 100,000 residents in the same age group in the general population) are two to two and a half times higher for Hispanics than for non-Hispanic whites.³⁷ Relatively little of the higher imprisonment rate of Hispanics seems to be due to immigration violations.³⁸

Illegal immigrants are overwhelmingly Hispanic. It is possible that, over time, Hispanic immigrants and their children may assimilate the high crime rates that characterize the low income Hispanic population in the U.S. as a whole.³⁹ If this were to occur, then policies which would give illegal immigrants permanent residence through amnesty, as well as policies which would permit a continuing influx of hundreds of thousands of illegals each year could increase crime in the long-term.

Taxation and Low Skill Workers

It is often argued that if illegal immigrants were granted amnesty they would make substantial tax contributions to the federal government. The reality is that low skill workers pay little in taxes. The federal income tax is highly progressive; moreover, moderate wage parents receive refundable tax credits that offset much of their Social

³⁶ Nation Research Council, *The New Americans: Economic, Demographic and Fiscal Effects of Immigration*, Nation Academy Press, Washington, D.C. 1997, p. 388. Figures refer to males aged 18 to 54.

³⁷ Paige M. Harrison, and Allen J. Beck, "Prisoners in 2003" *Bureau of Justice Statistics Special Report*, NCJ 205335, Office of Justice Programs, U.S. Department of Justice, Washington, D.C. November 2004, table 12. See also Thomas P. Bonczar, "The Prevalence of Imprisonment in the U.S. Population, 1974-2001", *Bureau of Justice Statistics Special Report*, NCJ197976, August 2003.

³⁸ The immigration and Naturalization Service deport hundreds of thousands of illegal immigrants each year. Few of these deportations involve imprisonment in federal or state prisons.] In 2000, some 15,000 individuals were in federal prisons due to immigration violations. Most of these were Hispanic; these individuals comprised about 8 percent of the total Hispanic population in federal and state prisons. The most common violation leading to imprisonment was re-entry following prior deportation. Half of those imprisoned for immigration offenses had prior felony convictions. See John Scalia, and Marika F.X. Litras, "Immigration Offenders in the Federal Criminal Justice System, 2000", *Bureau of Justice Statistics Special Report*, NCJ-191745, Office of Justice Programs, U.S. Department of Justice, Washington D.C., August 2002.

³⁹ If the crime rate for Hispanic non-citizens is actually lower than the rate for non-Hispanics in the general population, this would imply that the relative crime rate for Hispanic citizens was even higher than the three to one ratio (of Hispanic to non-Hispanic whites) suggests. It would be higher because low crime Hispanic non-citizens would be included in the denominator used in computing the overall Hispanic crime rate.

Security tax payments. For example, a family of four who have lived in the U.S. lawfully for five years will pay no net Social Security taxes if they earn less than \$25,000 per year. If the family makes less than \$40,000 per year, it will be unlikely to pay federal income tax. At the same time, many of these families will receive government welfare and medical care and their children will be educated in public schools at an average cost of about \$8,000 per year.

The Fiscal Impact of Immigration

One important question is the fiscal impact of immigration (both legal and illegal). Policymakers must ensure that the interaction of welfare and immigration policy does not expand the welfare-dependent population, thereby hindering rather than helping immigrants and potentially imposing large costs on American society. This means that immigrants should be net contributors to government: the taxes they pay should exceed the cost of the benefits they receive.

In calculating the fiscal impact of an individual or family, it is necessary to distinguish between public goods and private goods. Public goods do not require additional spending to accommodate new residents.⁴⁰ The clearest examples of government public goods are national defense and medical and scientific research. The entry of millions of immigrants will not diminish the value of these public goods to the general population.

Other government services are private goods; use of these by one person precludes or limits use by another. The most obvious government private goods are direct personal benefits such as welfare, Social Security payments, Medicare, and education. Other government private goods are “congestible” goods.⁴¹ These are services that must be expanded in proportion to the population. Examples of government congestible goods are: police and fire protection, roads and sewers, parks, libraries, and courts. These services must expand as the population expands or there will be a decrease in the quality of service.

An individual makes a positive fiscal contribution when his total taxes paid exceed the direct benefits and congestible goods received by himself and his family.⁴²

The Fiscal Impact of Low Skill Immigration

A very important study of the fiscal impact of immigration was the 1997 *New Americans* study by the National Academy of Sciences (NAS).⁴³ This study found that, measured in a single year, the fiscal impact of foreign born households was negative in the two states studied: New Jersey and California.⁴⁴ Measured over the course of a lifetime, the fiscal

⁴⁰ Nation Research Council, *op. cit.*, p. 256.

⁴¹ *Ibid.*

⁴² This is the basic methodology employed by the National Research Council to assess the fiscal gains and losses presented by immigrants. National Research Council, *op. cit.*, chapters 6 and 7.

⁴³ *Ibid.*

⁴⁴ *Ibid.*, Chapter Six.

impact of first generation immigrants was also slightly negative⁴⁵; however, when the future earnings and taxes that may be paid by the offspring of the immigrant are counted, the long term fiscal impact was found to be positive. One commonly cited figure from the report is that the net present value (NPV) of the fiscal impact of the average recent immigrant and his descendents is \$83,000.⁴⁶

There are five important caveats concerning the NAS longitudinal study and its conclusion that in the long term the fiscal impact of immigration is positive. First, the study applies to all recent immigration, not illegal immigration. Second, the finding that the long-term fiscal impact of immigration is positive applies to the population of immigrants as a whole, not to low skill immigrants. Third, the estimate that the net present fiscal value of the typical immigrant is \$83,000 is based on the assumed earnings and tax payments of his descendents projected *over the next 300 years*.⁴⁷ Fourth, the study does not take into account the growth in out of wedlock child-bearing among the foreign born which will increase future welfare costs and limit the upward mobility of future generations. Fifth, the assumed educational attainment of the children, grandchildren, and great grandchildren of immigrants who are high school drop outs or high school graduates seems unreasonably high given the actual attainments of the offspring of recent Mexican and Hispanic immigrants; low skill Hispanics form the bulk of current illegal immigrants in the U.S.⁴⁸

The three hundred year time horizon of the NAS study is highly problematic. Three hundred years ago, the United States did not even exist, and British colonists had barely reached the Appalachian mountains. We cannot reasonably estimate what taxes and benefits will be even thirty years from now, let alone three hundred.

The NAS study assumes that most people's descendents will eventually regress to the social and economic mean and thus may make a positive fiscal contribution, if the time horizon is long enough. Using similar methods it seems likely that out of wedlock childbearing could be found to have a net positive fiscal value as long as assumed future earnings are projected out 500 or 600 years.

Slight variations in the assumptions used by NAS greatly affect the projected outcomes. For example, limiting the time horizon to fifty years and raising the assumed interest rate from 3 percent to 4 percent drops the NPV of the average immigrant from around \$80,000 to \$8,000.⁴⁹ Critically, the NAS projections assumed very large tax increases and benefits cuts would occur in 2016 to prevent the deficit from rising further relative to

⁴⁵ Ibid., p.334, table 7.5

⁴⁶ Ibid.

⁴⁷ Ibid., p. 342. According to net present value calculations the impact of much later years have much lower value than those of the near future; nonetheless, the extension of the NAS projections to 300 years has a definite affect on their conclusions.

⁴⁸ The projected educational attainments of the children, grandchildren, and great grandchildren of immigrants who are high school drop outs or high school graduates are presented on page 357 of the National Academy study. (National Research Council, *op. cit.*) The actual attainments of the descendents of recent Hispanic immigrants are provided in Fry, *op. cit.*

⁴⁹ National Research Council, *op. cit.*, table 7.6 on p.337 and table 7.8 on p. 343.

GDP. This assumption makes it far easier for future generations to be scored as fiscal contributors. If the large tax hikes and benefit cuts do not occur then the long-term positive fiscal value of immigration evaporates.⁵⁰ Moreover, if future tax hikes and benefit cuts do occur, the exact nature of those changes would likely have a large impact on the findings; this issue is not explored in the NAS study.

Critically, the estimated net fiscal impact of the whole immigrant population has little bearing on the fiscal impact of illegal immigrants who are primarily low skilled. As noted, at least 50 percent of illegal immigrants do not have a high school degree. As the NAS report states “some groups of immigrants bring net fiscal benefits to natives and others impose net fiscal costs... [I]mmigrants with certain characteristics, such as the elderly and those with little education may be quite costly.”⁵¹

The NAS report shows that the long-term fiscal impact of immigrants varies dramatically according to the education level of the immigrant. The fiscal impact of immigrants with some college education is positive. The fiscal impact of immigrants with a high school degree varies according to the time horizon used. The impact of those without a high school degree is negative: benefits received will exceed taxes paid. The net present value of the future fiscal impact of immigrants without a high school degree is negative even when the assumed earnings and taxes of descendants over the next three hundred years are included in the computation.⁵²

A final point is that the NAS estimates assume that low skill immigration does not reduce the wage rates of native born low skill workers. If low skill immigration does, in fact, reduce the wages of native born labor this would reduce taxes paid and increase welfare expenditures for that group. The fiscal, social and political implications would be quite large.

The Cost of Amnesty

Federal and state governments currently spend over \$583 billion per year on means-tested welfare benefits each year.⁵³ Illegal aliens are ineligible for most federal welfare, but some assistance is received through programs such as Medicaid; in addition, native born children of illegal immigrant parents are citizens and are eligible for all relevant federal welfare.

⁵⁰ Ibid., table 7.6 on p. 337.

⁵¹ Ibid. pp. 352 and 353.

⁵² Ibid., table 7.5, p. 324 and figure 7.10 on p. 332.

⁵³ Domestic Social Policy Division, Cash and Non-Cash Benefits for Persons with Limited Income: Eligibility Rates, Recipient and Expenditure Data, FY2002, FY2004, Congressional Research Service, March 27, 2006. The total cost of federal and state means-tested welfare benefits spread across all U.S. household is about \$5,800 per household. In practice welfare benefits are largely limited to households in the bottom one half of the income distribution and are rarely received by households above the median income level of \$44,000 per year. If all benefits were spread equally among the lowest income half of households, the value would be about \$12,000 per household.

Granting amnesty to illegal aliens would have two opposing fiscal effects. On the one hand, it may raise wages and taxes paid by broadening the labor market individuals compete in; it would also increase tax compliance and tax receipts as more work would be performed “on the books”.⁵⁴ On the other hand, amnesty would greatly increase receipt of welfare and social services. Since illegal immigrant households are low skill and low wage, the cost to government could be considerable.

A very thorough study of the federal fiscal impacts of amnesty has been performed by the Center for Immigration Studies (CIS).⁵⁵ This study found that illegal immigrant households have low education levels, low wages and currently pay little in taxes. Illegal households also receive a lower level of federal government benefits. The study found that, on average, illegal immigrant families received more in federal benefits than they paid in taxes.⁵⁶

Granting amnesty would render illegals eligible for federal benefit programs. The CIS study estimated the extra taxes would be paid as well as government costs that would occur as a result of amnesty by assuming that welfare utilization as well as tax payment among current illegal immigrants would rise to equal the level among lawful non-citizens of similar national, educational, and demographic backgrounds. If all illegal immigrants were granted amnesty, federal tax payments would increase by some \$3,000 per household, but federal benefits and social services would increase \$8,000. Total federal welfare benefits would reach around \$9,500 per household or \$35 billion per year total. The study estimates that the net cost to the federal government of granting amnesty to some 3.8 million illegal alien households would be around \$5,000 per household for a total federal fiscal loss of \$19 billion per year.⁵⁷

Amnesty and the Comprehensive Immigration Reform Act (CIRA)

The Senate immigration bill would offer amnesty and citizenship to current illegal aliens. This plan would offer amnesty and citizenship to around 85 percent of the nation’s current 11.9 million illegal immigrants.

⁵⁴ Steven A. Camarota, *The High Cost of Cheap Labor: Illegal Immigration and the Federal Budget*, Center for Immigration Studies, Washington D.C., August 2004. This study estimates that 45 percent of illegal immigrant wages are “off the books”.

⁵⁵ Ibid. The estimated number and characteristics of the illegal population in this study are very similar to the estimates in most other research. An important element of this study is that, like the National Research Council study, it adjusts for under-reporting of welfare benefits in the Census Bureau’s Current Population Survey. The cost of welfare benefits is adjusted to equal actual government expenditures. The study allocates government private goods and public goods in a manner very similar to the National Academy of Sciences study.

⁵⁶ Thus the cost of amnesty is mitigated, somewhat, by the fact that illegals already receive some welfare and social services. This fact, however, only underscores the overall fiscal cost of illegal immigration to society.

⁵⁷ The average cost of federal means-tested welfare spending amounts to around \$4,000 per household if spread evenly among all U.S. households (including upper and middle income households that, in fact, receive little welfare). The Camarota 2004 study assumes that, after amnesty, illegal households would on average receive some \$9,400 in federal welfare spending, or about 1.3 times more than the artificial average for all households. This seems reasonable given the characteristics of the illegal population.

Under the plan, illegal aliens who had been in the U.S. five years or more (60 percent of total illegals) would be granted immediate amnesty. Illegal immigrants who had been in the country between two and five years (25 percent of the total) would travel to one of 16 “ports of entry” where they would receive lawful work permits; these permits would bestow permanent residence and allow the bearers to become citizens. Thus the plan overall is likely to grant citizenship to 85 percent of the current illegal alien population or some 9 to 10 million individuals.

As noted, illegal aliens in the U.S. have very low education levels: at least half lack a high school education, a third have less than a ninth grade education. Illegal immigrants earn low wages similar to the wages of other low skill workers in the economy. This means they are prone to poverty and welfare dependence.

Illegal aliens are currently ineligible for most federal welfare benefits. Granting citizenship would provide eligibility to welfare programs such as the Earned Income Credit, Food Stamps, Medicaid, Temporary Assistance to Needy Families, and many others. This would greatly increase welfare costs. The added welfare costs can be estimated by assessing welfare utilization among current illegal immigrants compared to welfare utilization among lawful immigrants of similar national and educational backgrounds. This comparison shows that granting citizenship to 85 percent of current illegal immigrants would increase net federal fiscal costs by some \$16 billion per year.⁵⁸

It is important to note that these costs would not occur immediately. The Comprehensive Immigration Reform Act (CIRA) plan places a prospective six year waiting period prior to granting legal permanent residence to illegal immigrants. Individuals would wait another five years after receiving permanent residence before becoming citizens. Thus much of the cost of the plan might be delayed; however, once millions of individuals are put on the path to citizenship there would be enormous (and probably irresistible) political pressure to grant them the same benefits that are available to the general population quickly, rather than enforce a long delay.

In addition, the cost estimates presented above are based on a static analysis which assumes that amnesty will not alter behavior. In reality, illegal immigrants are likely to have significantly more children once they are permanently settled in the U.S. These children will increase welfare costs and child poverty even further.

Family Chain Migration

The impact and cost of the Comprehensive Immigration Reform Act (CIRA) (S.2611) would extend well beyond the ten million or so individuals initially granted amnesty. When an individual is granted amnesty, he is given the unrestricted right to bring his spouse and minor children into the country. Once here, the spouses and children would receive government services and swell government costs, and in turn have the right to become citizens. Thus the total number of foreign born persons who would be granted

⁵⁸ Calculation based on Steven A. Camarota, 2004, *op. cit.*

citizenship ultimately under CIRA would be far more than 10 million, and government costs would swell above the \$16 billion figure given above.

But the fiscal problem gets worse; when an illegal immigrant has obtained citizenship through the amnesty process, he or she would be given the automatic right to bring his or her parents in the U.S. as permanent lawful residents. (Currently one tenth of the annual flow of legal immigrants to the U.S. are parents of recent immigrants who have naturalized.) If ten million current illegal immigrants were granted amnesty and citizenship under the Comprehensive Immigration Reform Act (CIRA) (S.2611), as many as 20 million foreign born parents would be given the right to immigrate to the U.S. Once in the U.S., the immigrant parents would receive social services and government funded medical care, much of it paid for through the Medicaid disproportionate share program.

After five years in the country most of the parents will be fully eligible for Medicaid. Medicaid payments for the elderly cost around \$11,000 per person per year. If, as a result of CIRA, only three million parents were brought into the country and enrolled in Medicaid, the annual cost would be around \$33 billion. Obviously, there would be substantial time lags before these costs began, but the long-term potential of amnesty to raise government spending is quite real.

How CBO Dramatically Underestimates the Welfare Costs of CIRA

Advocates for the Senate immigration bill cite a Congressional Budget Office report that shows that the means-tested welfare costs generated by the bill would be quite low. Means-tested programs provide government benefit only to lower income persons. The largest means-tested programs are Medicaid, the Earned Income Tax Credit, food stamps, Temporary Assistance to Need Families (TANF), and public housing. According to the Congressional Research Service, \$583 billion was spent on means-tested aid in 2004. Of this \$427 billion was from federal funds and \$156 billion in state funds.⁵⁹

In 2004, there were 290 million persons in the U.S. Dividing total means-tested outlays of \$583 billion by the whole U.S. population yields an average annual per capita cost of means-tested aid of \$2,010. Federal means-tested aid amounts to \$1,472 per capita. Obviously these averages are artificial because most persons do not receive means-tested aid; however, they do provide a reasonable bench mark for estimating the welfare costs associated with amnesty.

Persons with less education are substantially more likely to receive means-tested aid. For example, per capita value of aid received in families headed by persons without a high school degree is \$3,859. Roughly half of the illegal immigrants who would receive amnesty are high school dropouts.

⁵⁹ Domestic Social Policy Division, Cash and Non-Cash Benefits for Persons with Limited Income: Eligibility Rates, Recipient and Expenditure Data, FY2002, FY2004, Congressional Research Service, March 27, 2006

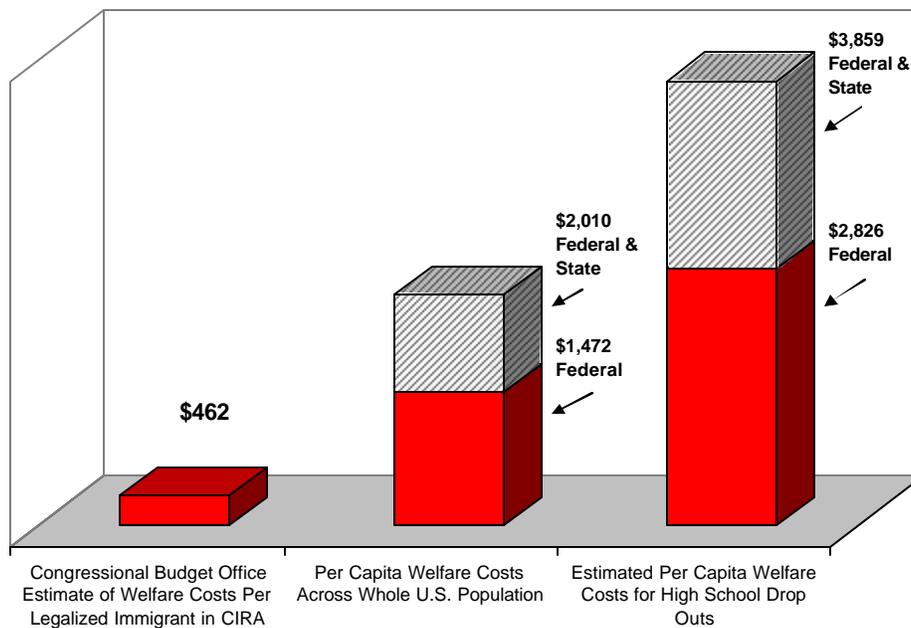
The Congressional Budget Office analysis assumed that after ten years some 18 million immigrants would be granted legal status due to the bill. The total means-tested welfare costs generated by the bill would be \$8.7 billion in the tenth year. This yields annual means-tested welfare costs of \$462 per immigrant under the bill.

Thus according to CBO, the means-tested welfare costs per legalized immigrant would be dramatically below average per capita welfare costs in the U.S. This is extremely implausible given the fact that the legalized immigrants under the bill would have below average education levels, and thus would almost certainly have higher rates of welfare receipt.

In part, the CBO estimates are low because they are limited to the first ten years after the passage of S.2611. For the first eleven years after the bill's enactment, immigrants receiving amnesty would not become fully eligible for welfare, thus the full welfare costs are hidden by the bill's limited time horizon. In addition, the CBO methodology appears to undercount welfare expenditures in general; many programs are omitted from the analysis and the value of benefits in other programs seems to be artificially low. Finally, although the details of the analysis have not been revealed, the estimates of future welfare use do not seem to accurately reflect the low educational status of potential amnesty recipients.

Chart 5

Means-Tested Welfare: Annual Costs Per Capita



Granting Amnesty is Likely to Further Increase Illegal Immigration

It seems like history is about to repeat itself. The Immigration Reform and Control Act (IRCA) of 1986 granted amnesty to 2.7 million illegal aliens. The primary purpose of the

act was to decrease the number of illegal immigrants by limiting their inflow and by legalizing the status of illegals already here.⁶⁰ In fact, the act did nothing to stem the tide of illegal entry. The number of illegal aliens entering the country increased five fold from around 140,000 per year in the 1980's to 700,000 per year today.

Illegal entries increased dramatically shortly after IRCA went into effect. It seems plausible that the prospect of future amnesty and citizenship served as a magnet to draw even more illegals into the country. After all, if the nation granted amnesty once why wouldn't it do so again?

The Comprehensive Immigration Reform Act (CIRA) legislation would repeat the IRCA on a much larger scale. This time 9 to 10 million illegal immigrants will be granted amnesty. Again there will be a promise to reduce future illegal entries, but in reality the bill will do little to reduce future entries. The granting of amnesty to 10 million illegal immigrants is likely to serve as a magnet pulling even greater numbers of aliens into the country in the future.

If enacted, the legislation would significantly increase welfare spending, and would spur even further increases in the future number of low skill migrants. This in turn would increase poverty in America, enlarge the welfare state and increase social and political tensions.

A Flood of Legal Immigrants

Although much of the debate about the Senate immigration bill relates to its amnesty provisions, even more significant are the huge increases in legal immigration hidden in the bill. By a ratio of about four to one, U.S. voters would prefer less immigration, not more. But the Senate bill ignores the public's wishes. The original Senate immigration bill would have allowed as many as 100 million people to legally immigrate to the United States over the next 20 years. Facing criticism, the Senate has amended the bill - which now, if enacted, would allow "only" 61 million new immigrants. That still more than doubles the current legal immigration rate, from 1 million a year now to 2.5 million per year.

Current law would let 19 million legal immigrants enter the United States over the next 20 years; the Senate immigration bill would add an extra 42 million.

Under the Senate bill, immigrants could enter or attain lawful status within the country through nine channels. In each channel, immigrants would gain permanent residence and the right to become citizens:

Current law visas: About 950,000 persons now get permanent-residence visas every year under current law. Over 20 years, the inflow of immigrants through this channel would be 19 million.

⁶⁰ National Research Council, *op. cit.* p. 29.

Amnesty: The bill would grant amnesty to roughly 10 million illegal immigrants now living in the U.S.

Spouses/children of illegal immigrants given amnesty: Illegals who got amnesty could bring their spouses and children into the country as legal permanent residents with the opportunity for full citizenship. The resulting number of spouses and children who'd enter the United States: at least 5 million.

"Family chain" migration: Today's law limits the number of kinship visas for secondary family members, such as adult brothers and sisters. The Senate bill would raise the cap on such secondary family immigration from around 230,000 to 480,000 per year, bringing in 5 million new immigrants over 20 years.

Temporary guest workers for life: The amended Senate bill would let 200,000 people to enter through the guest-worker program each year. Over 20 years, that works out to a total inflow of 4 million. The "guest workers" aren't temporary at all, but could stay in the U.S. permanently and become citizens.

Spouses/children of guest workers: Guest workers could bring their spouses and children to the United States as permanent residents, adding another 4.8 million entrants over 20 years.

Worker visas for skilled specialty occupations: The Senate bill would initially double the number of specialty workers who could enter the U.S., and would then allow the number to increase by 20 percent in each subsequent year. These workers would be permitted to request permanent residence, and, in most cases, would be able to stay in the U.S. for life. More than five and a half million legal immigrant workers could enter under these provisions over the next twenty years.⁶¹

Spouses/children of specialty workers: Specialty workers could bring their spouses and children to the United States as permanent residents, adding another 3 million entrants over 20 years.

Refugee Women: Under the bill, an unlimited number of women who fear they may undergo "harm" as a result of their sex may enter the U.S. as refugees and become citizens. The numbers who would enter under this open-ended provision is uncertain, perhaps, one million over 20 years.

⁶¹ S.2611 fails to provide sufficient green cards to grant legal permanent residence to all the future H1B skilled workers, but each such worker would have the right to petition for legal permanent residence(LPR). Once this petition is made the worker is effectively permitted to remain in the U.S. permanently. If S.2611 were enacted in its current form, the net effect would be a very large backlog of skilled workers in future years who had petitioned for LPR but were unable to obtain green cards. The number of green cards would undoubtedly be increased to reduce the backlog.

Parents of naturalized citizens: Senate bill would greatly increase the number of naturalized citizens, each would have an unlimited right to bring their parents into the country as legal permanent residents. The resulting number of parents who'd enter as permanent legal residents: around 3.5 million over 20 years.

If the Senate bill became law, foreign born immigrants would rise to around 18 percent of the total U.S. population, an immigration level far higher than at any previous time in U.S. history. Many in this looming tidal wave of immigration would be low skilled individuals who will impose great social and economic costs on the nation.

In sum, the Senate bill would bring profound change, transforming the United States socially, economically and politically. Within two decades, the character of our country would differ dramatically from what exists today.

Policy Implications

Immigration to the U.S. is a privilege, not a right. Immigrants should be net contributors to the government and society and should not be a fiscal burden to the native born. While highly educated immigrants, on average, make a positive fiscal contribution, the fiscal impact of low skill immigrants is negative.

Over the last 20 years, around 10 million individuals without a high school degree have entered the United States. Many of these also have a high probability of out-of-wedlock childbearing. Unless U.S. immigration policy is changed, these trends are likely to continue. Granting amnesty to current illegal immigrants exacerbates the problem.

Sound immigration policy should be based on two principles. The first is respect for the rule of law. American citizens should determine who is allowed to enter the country, and who is allowed to become a citizen and vote in our elections. Lax border enforcement and non-enforcement of laws against employing illegal immigrants have encouraged over 10 million persons to enter the country unlawfully. Past and pending amnesties reward this behavior. Under the current system decisions about who will live in the U.S. and who will become a citizen tend to be made unilaterally by foreigners. If the Comprehensive Immigration Reform Act (CIRA) (S.2611) becomes law, it will undermine the rule of law and put the U.S. on the path of uncontrolled immigration punctuated by recurring amnesties.

Second, recognizing the fact that low skill immigrants are likely to be a fiscal burden on society, government should increase the average skill and education level of incoming immigrants. Currently, the average skill level of immigrants is significantly reduced by two factors: largely uncontrolled border crossings, and the high priority on kinship ties in the issuance of permanent residence visas. Currently only 7.6 percent of persons granted visas for permanent entry into the U.S. are selected on the basis of the education and skill level.⁶² To increase the skill level of future immigrants, the U.S. should stop the

⁶² Barry R. Chiswick, "Written Testimony" at the hearing on "Immigration: The Economic Impact," Committee on the Judiciary, United States Senate, April 25, 2006, p. 8.

inflow of future illegal immigrants, reduce the number of family reunification visas, and increase the number of employment and skill based visas.

Five specific policies follow from these principles.

Future immigration policy should seek to reduce the number of low skill entrants who are likely to impose large costs on American society and to increase the number of high skill entrants who are likely to make a strong positive fiscal contribution. To accomplish this Congress should adopt the following policies.

1. The future influx of illegal immigrants should be stopped by rigorous border security programs as well as strong programs to prevent employers from employing illegal immigrants.
2. Amnesty and citizenship should not be given to current illegal aliens. Amnesty has negative fiscal consequences and is manifestly unfair to those who have waited for years seeking to enter the country lawfully. Amnesty would also serve as a magnet drawing even more future illegal immigration.
3. Any guest worker program should grant temporary, not permanent, residence and should not be a pathway to citizenship. A guest worker program should not disproportionately swell the future ranks of low skill workers.
4. Children born to parents who are illegal or to future guest workers should not be given citizenship status. Granting citizenship automatically confers welfare eligibility and makes it unlikely the parent will ever leave the U.S.⁶³
5. The legal immigration system grants lawful permanent residence to some 950,000 persons each year. In the future this system should be altered to substantially increase the proportion of new entrants with higher levels of education. Under current law, foreign born parents, and brothers and sisters of naturalized citizens are given preference for entry visas. The current visa allotments for family members (other than spouses and minor children) should be eliminated, and quotas for employment and skill based entry increased proportionately.

⁶³ John C. Eastman, "From Feudalism to Consent: Rethinking Birthright Citizenship", *Legal Memorandum, No. 18*, The Heritage Foundation, Washington, D.C., March 30, 2006.

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